Analysis of telecommunications services availability

The Office of Telecommunications and Post Regulation (URTiP) has conducted an analysis of telecommunications services availability, in particular investigating the possibility to increase availability of telecommunications services not only such as the telephony but also data transmission with a special emphasis on economically underdeveloped areas. The analysis was conducted within the work group for telecommunications services availability which was formed by the President of the URTiP in communication with the Minister of Infrastructure.

The management of the Ministry of Infrastructure expressed favourable opinion on the report summarising the first stage of the group proceedings.

Taking into account the conducted analysis of current situation, the following conclusions have been drawn:

1. It is necessary to strive for implementation of regulatory policy consistent with a corresponding policy pursued by the countries of the European Union. This policy should in particular include:

- issuing ordinances of the Council of Ministers and Minister of Infrastructure listed in the act amending the Telecommunications Law. The ordinances should facilitate interventionist actions by the President of the URTiP on the telecommunications market in the scope of decisions that stimulate demonopolization and liberalization.
- undertaking consistent activities that lead to unbundling the local loop. Experience of the European Union countries so far does not point to significant and quick developments, however activities in this respect should not be neglected, in particular in the area of unbundling the local loop for access to the Internet.
- supporting activities in the area of number portability. Similarly to local loop unbundling, number portability can have positive influence on the development of competition on the telecommunications market.

2. Accelerating the strategy for the telecommunications market liberalization. The development of new technologies and new services possible to be introduced in different networks by different operators should lead to the elimination of historic and formal barriers to large scale operations on the information technology market. Certain activities have been already implemented. Nevertheless, extending the list of services by all market players should be encouraged. It is possible to enumerate here:

- the provision of telephone and Internet services by cable and satellite television operators.
- the provision of services in fixed networks at all levels, i.e. local, long distance and international by those operators who are interested in it. Extending these possibilities should positively affect financial situation of particular operators.

- application of new technologies for subscriber access. Taking account of existing technical conditions, access in such technologies as: radio WLL, VoIP, PLC, WLAN should be enabled.
- encouraging convergence of fixed and mobile services, maintaining equal level of competition. This policy can contribute to gradual reduction of differences between tariffs in fixed and mobile networks.

3. Encouraging new investments in the area of telecommunications services availability (telephone and data transmission services) in particular in economically underdeveloped areas. Activities mentioned in points 1 and 2 have been carried out to a certain extent, however the availability of telecommunications services particularly in the areas with insufficient telecommunications infrastructure is still unsatisfactory. If the level of fixed penetration in the Czech Republic is assumed as a point of reference, it turns out that Poland lacks at least 3 million fixed telephone lines.

The investors are barely interested in the Polish fixed market. Legal instruments of telecommunications market regulation do not guarantee fast changes and the market itself is too weak to generate them. Efficient regulation that could lead to measurable market developments is impossible without the investors' interest in the Polish telecommunications market.

The President of the URTiP intends to take the following measures in order to stimulate new capital's interest in the Polish telecommunications market:

- making use of new possibilities offered by an amended in 2003 National Table of Frequency Allocation and new technologies applied in radio subscriber access systems. At this stage of technology development radio access systems enable fast deployment of network infrastructure, and what follows fast introduction of services. The deployment of WLL network is faster and cheaper than the deployment of wire subscriber access – the pace of deployment and costs of the WLL systems can be compared with the mobile networks.
- encouraging development of Internet access systems via power lines (maintaining compatibility with the existing radiocommunications and broadcasting networks).
- regular invitations (e.g. twice a year) to submit applications for wide coverage telecommunications authorisations in the area of network deployment based on radio access. The assessment of submitted applications should focus not only on technical viability with respect to frequency allocation, but primarily on:

    - guarantees of financing that enables network deployment covering vast areas of the country with particular emphasis on economically underdeveloped areas.
    - offering technical solutions for integrated services – the telephony as well as fast data transmission services
    - application of modern technologies that proved successful all over the world and are commonly applied (economies of scale); this condition will ensure relatively low prices for equipment, terminals and the guarantee of long-term maintenance.
    - the market power of an operator taking account of market demonopolization and openness to healthy competition. The initiative

to provide frequencies for new radio access systems should take into consideration social needs for telecommunications and information technology within areas with insufficient telecommunications infrastructure. The result should be greater accessibility to the services mentioned and their price availability.

This can be achieved by building real competition. Decisions on reservations must take account of the threat to ‘freeze’ allocated frequencies or to strengthen the monopoly of operators active on the telecommunications market. This initiative can be attractive not only to new investors (especially in the light of accession to the European Union), but can also contribute to:

- increasing competitiveness on the fixed market. An important part of the policy towards new WLL operators is to ensure that the services they offer are not only modern, but that the service offer comes at prices comparable with fixed services. As the analysis of prices for fixed and mobile services shows, there is a significant difference and despite quite intense marketing activities of mobile operators this relation is not expected to change significantly in the near future. This refers both to basic telephone services and access to the Internet. New WLL operators should not charge mobile tariffs, but fixed tariffs.
- encouraging consolidation of fixed market. Perhaps the so called ‘independent’ fixed operators with operational structures will be able to take part in new investments.
- increasing mobile operators’ interest in cooperation with new WLL operators. Mobile operators have a well developed radio access infrastructure; several thousand base stations (permanent locations, masts, power supply, security), transmission platforms from base stations up the network. However, it should be pointed out that the relationship between new WLL operators and mobile operators should be limited to cooperation of independent entities in using radio access infrastructure. Neither a mobile operator nor its subordinated or financially linked entity should at the same time be an operator of WLL systems because, as in the case of fixed SMP operators there is a risk of distortions of competition on the telecommunications market.